

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF KENTUCKY)
POWER COMPANY FOR APPROVAL OF A)
CERTIFICATE OF PUBLIC CONVENIENCE AND)
NECESSITY FOR ENVIRONMENTAL PROJECT) Case No. 2021-00004
CONSTRUCTION AT THE MITCHELL)
GENERATING STATION, AN AMENDED)
ENVIRONMENTAL COMPLIANCE PLAN, AND)
REVISED ENVIRONMENTAL SURCHARGE TARIFF SHEETS)

RESPONSE TO KENTUCKY POWER’S MOTION FOR REHEARING

The intervenors, the Attorney General of the Commonwealth of Kentucky, through his Office of Rate Intervention (“Attorney General”), and the Kentucky Industrial Utility Commission (“KIUC”), by counsel, provide the following response to Kentucky Power’s Motion for Rehearing.

On August 2, 2021, Kentucky Power filed a Motion for Rehearing. It asserted that, “the [final] Order leaves unaddressed three issues: 1) the Company's proposed 20% annual depreciation rate for the CCR investments at the Mitchell Plant; 2) the Company's request for a finding that the approximately \$1.903 million Kentucky jurisdictional Mitchell Plant ELG costs incurred prior to the Commission's July 15, 2021 Order were prudently incurred on behalf of customers; and 3) the Company's request for authority to defer and accumulate for review and recovery in the Company's next base rate proceeding the \$1.903 million Kentucky jurisdictional Mitchell Plant ELG costs incurred

prior to the Commission's July 15, 2021 Order.”

With regard to the proposed 20% annual depreciation rate for CCR investments at the Mitchell Plant, Attorney General/KIUC witness Lane Kollen recommended that this proposal be rejected and the presently authorized rates remain in effect.¹ Mr. Kollen also recommended that the Commission state that the remaining net book value at retirement and actual decommissioning costs of Mitchell be recovered in the Company’s Decommissioning Rider with the modifications described in his testimony.

Mr. Kollen noted that the Commission could “flatten” the recovery of the remaining net book value of the Mitchell units over their prior remaining book lives or an even longer period by using a modified version of the Company’s existing Decommissioning Rider. The Company’s Decommissioning Rider is presently used to recover the costs of the Big Sandy 2 and coal-fired costs of the Big Sandy 1 units on a levelized basis over a 25-year period that began after those assets were retired.

Mr. Kollen also noted that if the Decommissioning Rider is used to recover the costs of the Mitchell Plant between base rate cases, then it will need to be modified to reflect a credit for the Mitchell costs recovered in the base revenue requirement using a base-current methodology similar to that set forth in the Settlement Agreement pending in KU and LG&E Case Nos. 2020-00349 and 2020-00350. In addition, it will be necessary to remove all Mitchell costs from the environmental surcharge and include them in the Decommissioning Rider.

¹ See Kollen Direct at 7-8.

It is appropriate to recover the remaining net book value at retirement and the future decommissioning costs after they are incurred because the Mitchell Plant will be retired to make way for new more economic generation resources. These retirement costs are more akin to a cost incurred to acquire the new resources for the benefit of customers than a cost that must or should be recovered from existing customers prior to the actual retirement in 2028.

In sum, accelerated depreciation of the CCR investments poses an undue hardship on ratepayers for an asset whose lifespan likely extends beyond the end of the proposed depreciation schedule. The CCR investments are necessary to operate the plant through the end of that lifespan and should be depreciated accordingly. This is particularly true given the uncertainty surrounding the future operation of the Mitchell plant. The West Virginia Commission is presently considering whether to approve CCR and ELG investments which would potentially allow the plant to continue to serve West Virginia ratepayers beyond 2028. The CCR improvements will benefit the plant beyond 2028 if it continues to operate. Thus, Kentucky ratepayers should not bear the burden of a benefit that may accrue only to West Virginia ratepayers in the future.

The Attorney General and KIUC therefore request that the Commission clarify that it rejected this aspect of Kentucky Power's application.

With regard to the \$1.903 million in costs related to ELG compliance incurred prior to the Order of July 15, 2021, the Attorney General and KIUC yield to the Commission's discretion.

Respectfully submitted,

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Pursuant to applicable law, Counsel certifies that, on August 6th, 2021, an electronic copy of the forgoing was served by e-mail to the following.

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this 6th day of August, 2021.

A handwritten signature in blue ink, appearing to read "Matthew E. Miller".

Assistant Attorney General